

# MONTGOMERY WARD



Annual Report · 1957

*For the fiscal year ended January 31, 1958*



Modern and attractive design and architecture characterize the many stores Montgomery Ward is rehabilitating and building in various parts of the country. This store was opened in Portsmouth, Ohio, in March 1957. It was the first new store constructed by the company since 1941 and the first to incorporate modern concepts of merchandising and display.



## Montgomery Ward & Co., *Incorporated*

### *86th Annual Report*

FOR THE FISCAL YEAR ENDED JANUARY 31, 1958

#### The results at a glance

*January 31, 1958\**

1957

1956

Net sales.....	\$1,073,799,422	\$1,045,767,458	\$969,946,996
Taxes on income.....	30,660,000	38,190,000	38,260,000
Net earnings.....	29,696,757	35,844,479	35,441,046
Dividends.....	30,507,029	30,671,579	30,671,579
Net earnings per common share.....	\$2.19	\$2.65	\$2.62
Dividends per common share.....	2.25	2.25	2.25
Working capital.....	\$ 587,609,314	\$ 610,974,437	\$612,528,569
Additions to properties and equipment.....	20,476,338	10,516,918	3,339,409
Depreciation and amortization.....	4,517,949	3,588,874	3,081,225
Net investment in properties and equipment.....	53,578,754	37,792,614	31,065,582
Stockholders' investment.....	\$ 641,188,068	\$ 648,767,051	\$643,594,151
Shares outstanding—			
Class "A".....	201,554	201,554	201,554
Common.....	12,808,556	13,004,756	13,004,756
Investment per common share.....	\$48.49	\$48.34	\$47.94
Number of stockholders.....	92,127	84,605	74,674
Average number of employees.....	59,714	57,691	55,010

\*Includes financial and operating data of The Fair stores from July 24, 1957, through January 31, 1958.



## MONTGOMERY WARD



### Directors

John A. Barr  
*Chairman of the Board*  
Philip R. Clarke  
*Chairman Executive Committee*  
Sewell L. Avery  
H. P. Davison  
Percy B. Eckhart  
Meyer Kestnbaum  
Joseph C. Kracht  
Charles J. Kushell, Jr.  
Lenox R. Lohr  
Solomon A. Smith

### Officers

John A. Barr	<i>Chairman and President</i>
Paul M. Hammaker	<i>Executive Vice President</i>
Charles J. Kushell, Jr.	<i>Vice President, Financial</i>
Joseph C. Kracht	<i>Vice President, Merchandising</i>
Russell P. Bygel	<i>Vice President, Operating</i>
Anthony D. Eastman	<i>Vice President, Personnel</i>
Lester O. Naylor	<i>Vice President</i>
J. P. Hansen	<i>Vice President</i>
Howard S. Kambestad	<i>Vice President, Treasurer</i>
James E. Caldwell	<i>Controller</i>
Charles J. Barnhill	<i>Secretary</i>
John M. Clark	<i>Assistant Treasurer</i>
David L. Dickson	<i>Assistant Secretary</i>
Harold W. Bancroft	<i>Assistant Secretary</i>

### Transfer Agents

The Northern Trust Company, Chicago, Ill.  
J. P. Morgan & Co. Incorporated, New York, N.Y.

### Registrars

The First National Bank of Chicago, Chicago, Ill.  
Bankers Trust Company, New York, N.Y.

## *To Our Stockholders:*

Sales for the fiscal year ended January 31, 1958, showed an increase for the third straight year and exceeded one billion dollars for the second successive year. Total sales were \$1,073,799,422 compared to \$1,045,767,458 last year, an increase of 2.7%.

Earnings of \$29,696,757 compared with 1956 earnings of \$35,844,479, and equaled \$2.19 per share of common stock. This compared with \$2.65 per share last year.

Earnings were adversely affected by the higher costs of labor and services, the narrowing of merchandise margins particularly during the last six months, and increased expenditures for planning and activating the growth and improvement programs the Company has undertaken. The employee pension program, which was adopted February 1, 1957, required a contribution of \$2,894,585 by the Company in the first year of its operation.

The most significant step taken during the year to improve the long term profitability of Wards' operations was a major reorganization of the Company's management structure, including substantial decentralization of authority.

In July, action was taken to eliminate inefficiencies resulting from the separate operation of the mail order and retail divisions of the business. The merchandising and operating functions of these two major divisions were consolidated under common management both at the home office and in the field. This permits elimination of duplicated and over-lapping staff work, and facilitates coordinated merchandising and promotional programs.

In September, direct authority over the operations of the stores and mail order houses was delegated to four regional general managers, under the direction of an executive vice president. Responsibility for profit is thus placed nearer to the scene of operations, and authority is being delegated commensurate with this responsibility.

In the first move of its kind ever made by the Company, Wards purchased 99 per cent of the common stock of The Fair, a group of four Chicago area department stores, for \$9,208,625. In the six months of Wards' control during 1957, both sales and profits were higher than in the comparable period of 1956. This acquisition gave Wards its first major representation in the Chicago metropolitan and suburban areas.

Further progress was made in reducing retail store inventories during the year. Total investment in inventories, at year end, including those of The Fair stores, was \$227,432,485. Wards' inventory investment a year earlier was \$247,094,113.

The program of closing poorly located and unprofitable retail stores as leases expire has been continued. Twelve were closed during the year. Eleven of these were replaced in nearby locations by catalog stores. As we began the new fiscal year on February 1, 1958, we were operating 554 retail stores, including the four Fair stores, as compared with 562 on February 1, 1957.

The first retail store to be built by Wards since 1941 was opened in March at Portsmouth, Ohio, to replace a smaller store in the same city. Major rehabilitation projects were completed during the year at Wards stores in Bloomington, Ill., Lakeland, Fla., Plattsburg, N. Y., Ashtabula, Ohio, Oakland, Calif., and New London, Conn. Ninety-five stores were redecorated and 25 were air conditioned.

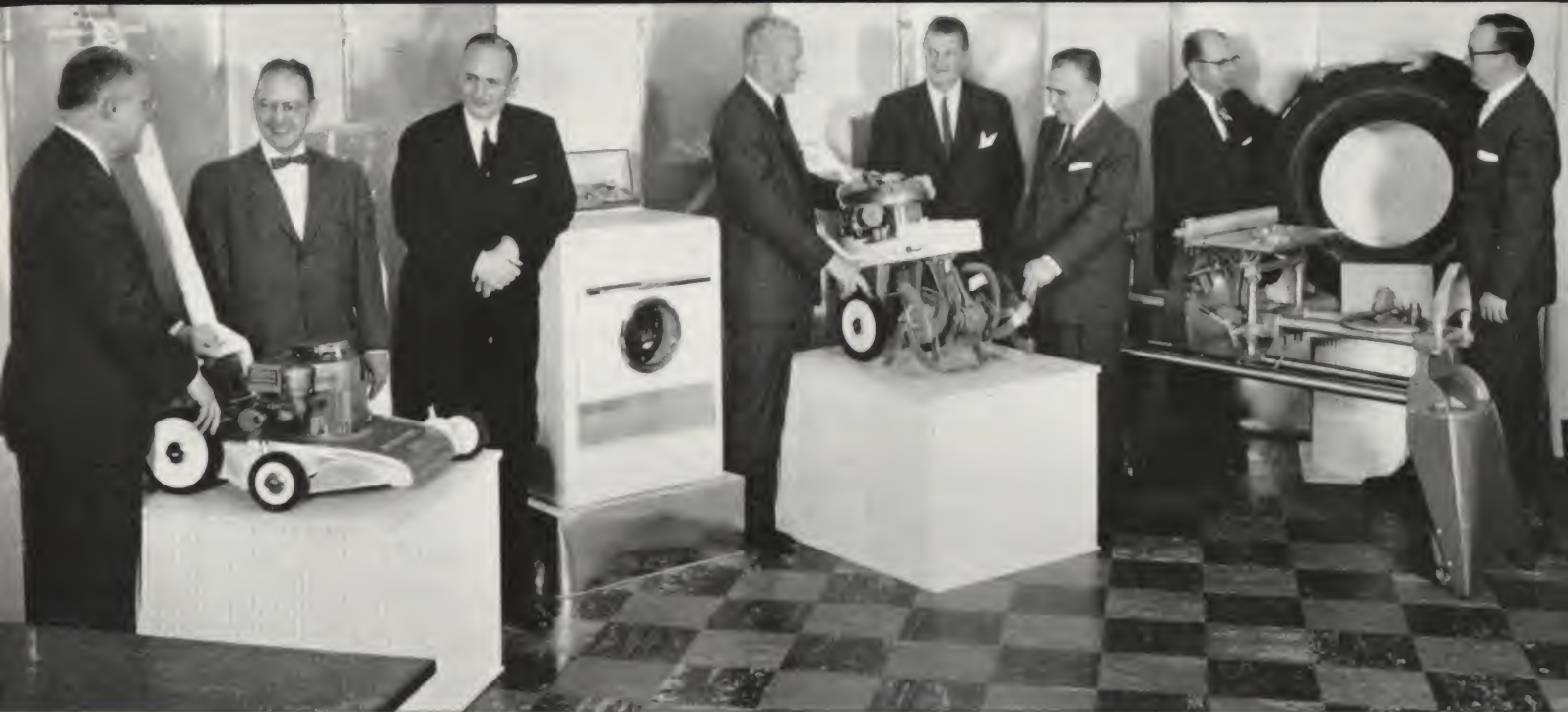
During the fiscal year, the Company opened 49 catalog stores in new communities, increasing the total of such stores, including the 11 that replaced retail stores, to 475 as compared with 415 one year ago.

Remodeling and improvement of stores, new store construction, and acquisition of the fixed assets of The Fair stores added \$20,476,338 to our



The Fair, a group of four large department stores in the Chicago area, was purchased by Montgomery Ward in July. This modern store, located in the Evergreen Plaza shopping center southwest of Chicago, is one of the group.





Principal executives who direct Wards merchandising and operating activities under the new management organization are pictured above during a January conference in the Chicago headquarters' offices of the Company. Left to right: Joseph C. Kracht, merchandising vice president; Paul M. Hammaker, executive vice president; John A. Barr, chairman and president; Russell P. Bygel, operating vice president; Richard L. Hundley, general manager of the north central region; Earl S. Williams, general manager of the eastern region; Elden E. Peterson, general manager of the western region; Sidney A. McKnight, general manager of the south central region.

properties and equipment accounts as compared to additions of \$10,516,918 last year.

Unexpended capital appropriations for the rehabilitation of existing stores, the construction of new stores and warehouses, and the installation of new fixtures and equipment amounted to \$25,625,000 on January 31st, as compared with \$5,800,000 a year earlier.

These authorizations include the establishment of eleven full-line department stores in major shopping centers, two new stores in business centers, and major additions to two established stores.

During 1958, five of these new stores will be opened. Although the sales from these new stores will have little effect on Wards' total sales in 1958, they will represent the first return from our program of expanding into major shopping centers in suburban areas with adequate parking facilities—a program which will be an increasingly important source of sales and income in the years ahead.

Intensive attention has been given to Wards' need for improved distribution and warehouse facilities which will permit more efficient and more economical distribution of goods to our stores and customers. Several large warehouses will be constructed in different sections of the country. The first of these, a building with 598,000 square feet

of floor space, will be completed in July near Detroit. Construction of two similar warehouses in other parts of the country will be started during 1958.

During December, Wards completed arrangements with the Barnes Manufacturing Company of Mansfield, Ohio, and with the Detroit Harvester Company of Detroit for the organization of manufacturing companies which will produce our requirements for domestic water pumps and for power lawn mowers. These are Wards' first ventures into this type of arrangement in 30 years and we expect them to result in improved products at lower costs.

Our accounts receivable, including those of The Fair, have continued to grow and now total \$277,179,867 as compared to \$237,915,314 last year. During the year we made revolving charge account privileges available to our customers at 80 retail and catalog stores. This new credit service will be extended to approximately 400 additional stores in 1958.

While the physical facilities, the procedures, the management structure, the executive staff, and the financial resources of our company are essential to our success, we recognize that this success cannot be fully realized without a force of able,



loyal, and enthusiastic employees who have a genuine interest in the progress of our business.

In 1957, several major steps were taken to provide greater security, protection and benefits for our 59,700 employees. We improved our salary and wage structure and put into effect a retirement plan for all employees and a stock option plan for key employees. A new training department and a new personnel development department were established.

These programs mark a very important move in the direction of better employee relations and are improving Wards' competitive position in attracting and holding the people we must have to assure the continued and accelerated progress of the Company.

Approximately 26,000, or 44%, of Wards' employees are represented by labor unions. During the year, 77 written agreements were negotiated with unions representing 22,000 employees. At the end of the year, agreements had not been reached at 51 stores where 4,000 employees are represented by local unions affiliated with the Retail Clerks International Association. In January, a strike was ordered by the national officers of this union at four retail stores and two catalog stores. Fewer than 90 employees are on strike, and all of the stores are open and doing business. We are hopeful that fair contracts may be negotiated at all of these stores in the near future.

As we enter the new year, the general economy of the country is depressed from the level which has prevailed during the past three years. This fact, although being fully recognized in our short



Escalators, recessed lighting and modern display fixtures make Wards new and rehabilitated stores pleasant and attractive shopping centers for all members of the family. This fashion department typifies the new merchandising principles being adopted by stores of Montgomery Ward.

term planning, is not altering our long term plans for the growth and improvement of Montgomery Ward. Your management is confident of the fundamental soundness of our economy, and believes that over the years, the buying power of our steadily growing population will continue to increase.

Most of the expense of developing these long term plans must be borne currently, although the higher profits they will generate are not within immediate reach. The money that goes into a new store, for instance, produces no return until that store opens its doors and operates up to a year. Because of this profit lag, earnings will develop slowly over the next two years.

Your management is confident that, following the current period of rehabilitation and development, earnings will accelerate as present programs and new facilities begin producing increased sales and greater operating efficiencies.

Additional details of the Company's operations are presented on the following pages.

Respectfully submitted

*John H. Dan*  
Chairman of the Board

March 25, 1958

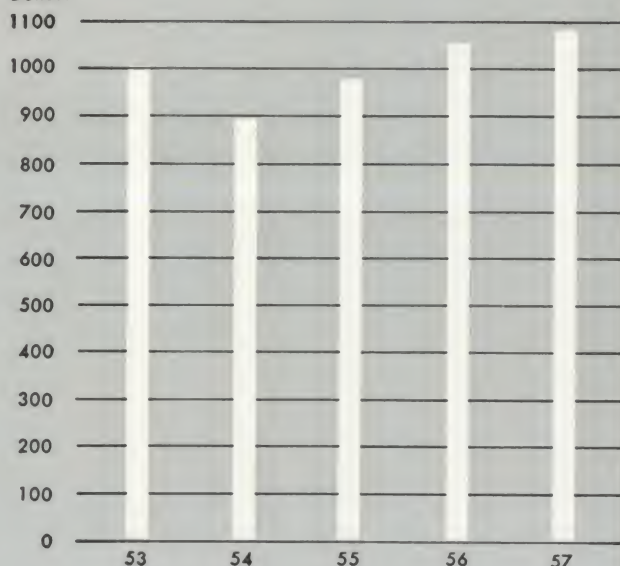


The first of several new central warehouse and distribution centers planned by Wards in different parts of the country is nearing completion in Allen Park, Michigan. It will serve 121 retail and catalog stores with 24 hour delivery service for home furnishings and hard line merchandise items.



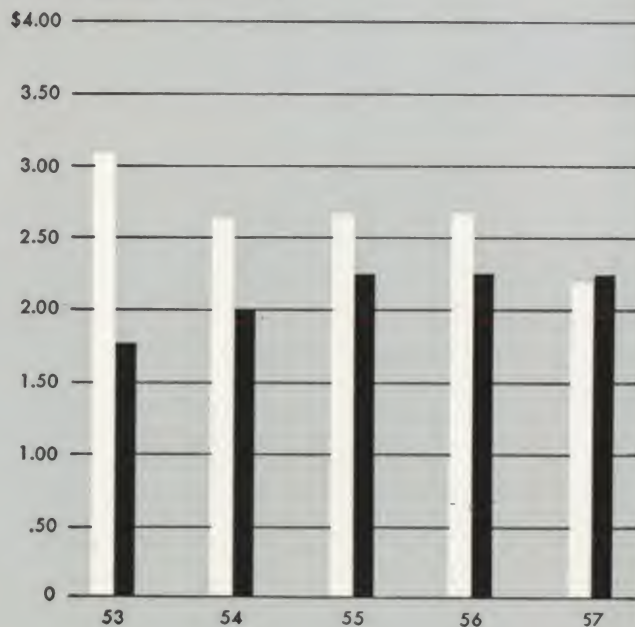
## Sales

Millions  
of  
Dollars



## Earnings and Dividends Per Common Share

■ EARNINGS  
■ DIVIDENDS



## Financial Statistics

Net sales of Montgomery Ward & Co. established a five year high of \$1,073,799,422 during the fiscal year ended January 31. This was 2.7% higher than last year's total of \$1,045,767,458, and the largest sales volume since 1952.

Eighty-seven per cent of the sales were made through retail and catalog stores and 13% through direct mail orders. Sales of The Fair stores from July 24, 1957, to January 31, 1958, are included in the total sales.

After deducting \$30,660,000 for federal income taxes, earnings for the year amounted to \$29,696,757 or \$2.19 per common share, based upon the average number of shares outstanding during the year, as compared with \$35,844,479 or \$2.65 per common share last year.

Common stock dividends of \$29,096,151 were paid during the year. This was equal to \$2.25 per share, the same as the rate paid in 1955 and 1956. Dividends of \$7.00 per share, amounting to \$1,410,878, were paid on Class "A" stock.

Total wages and salaries paid to employees were 6% higher than last year, and wage and salary payments of 1956 were 10.6% higher than in 1955. During the last three years, average employment has increased 8.6%. Wards' total average employment for the year was 59,714, including the 2,494 employees of The Fair stores.

The total investment of stockholders at the end of the fiscal year was equal to \$48.49 per share of common stock outstanding as compared with \$48.34 one year ago. During the year the total number of stockholders of record increased from 84,605 to 92,127 or 8.9%. No individual owns as much as 1% of the common stock outstanding.

During the year, the Company purchased 196,200 shares of its own common stock at a cost of \$6,768,711. These shares are being held as treasury stock and may be used to meet requirements of the restricted stock option plan approved by stockholders last year.

The Company has 1,908 leases with landlords covering retail stores, catalog stores, and warehouse locations. The minimum annual rentals for which the Company is obligated under these agreements for the fiscal year 1958 total approximately \$10,175,000. The total minimum rentals to the expiration of the leases, or to optional cancellation dates, amount to approximately \$75,185,000. The Company has no obligations under any of the leases beyond the year 1989 although renewal



privileges exist under the terms of many of the retail store leases now in force.

Investments in short-term marketable securities and cash on hand and in banks at the end of the year totaled \$148,895,965, a reduction of 25% from last year's total of \$198,191,231.

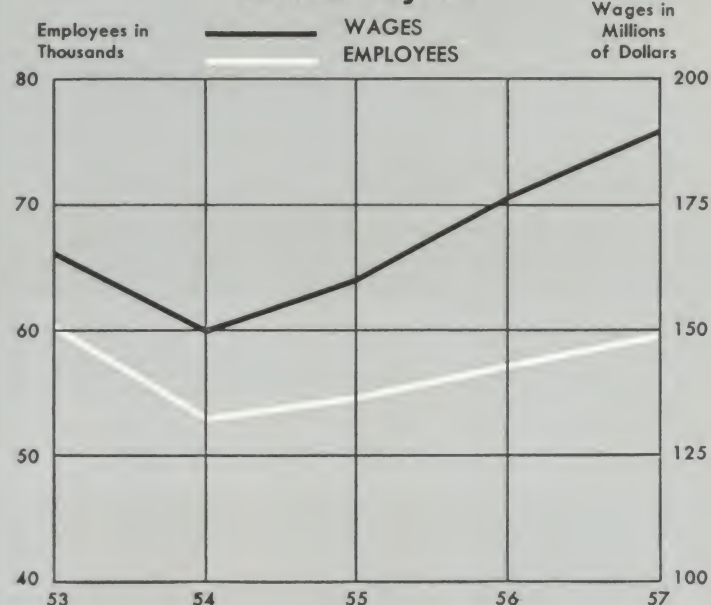
Accounts receivable, consisting principally of time payment accounts, increased 16.5% during the year from \$237,915,314 to \$277,179,867.

Total investment in inventories at the end of the year was \$227,432,485, a decrease of \$19,661,628 or 8% from last year's total of \$247,094,113.

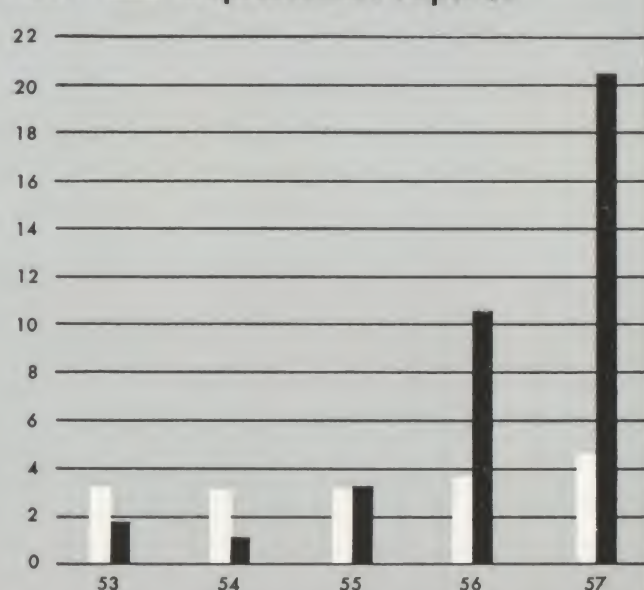
Additions to properties and equipment accounts during the year, including the fixed assets of The Fair stores, amounted to \$20,476,338 compared to \$10,516,918 last year. Provisions for depreciation and amortization of the fixed assets amounted to \$4,517,949, compared to \$3,588,874 last year.

The changing composition of the asset accounts of Montgomery Ward since 1953 is illustrated in the chart at the lower right. Cash and securities have been reduced 49% while accounts receivable have increased 72% and fixed assets have increased 61.5%.

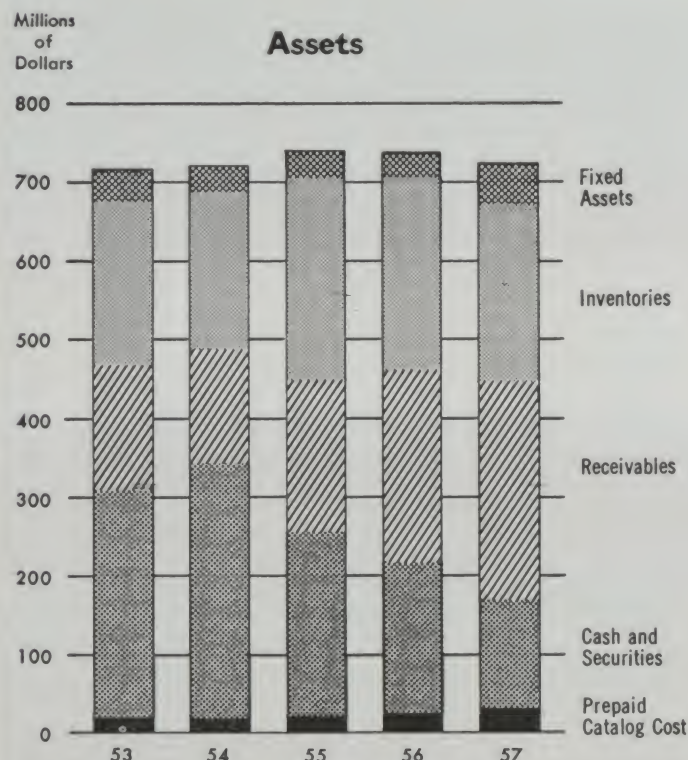
## Annual Payroll

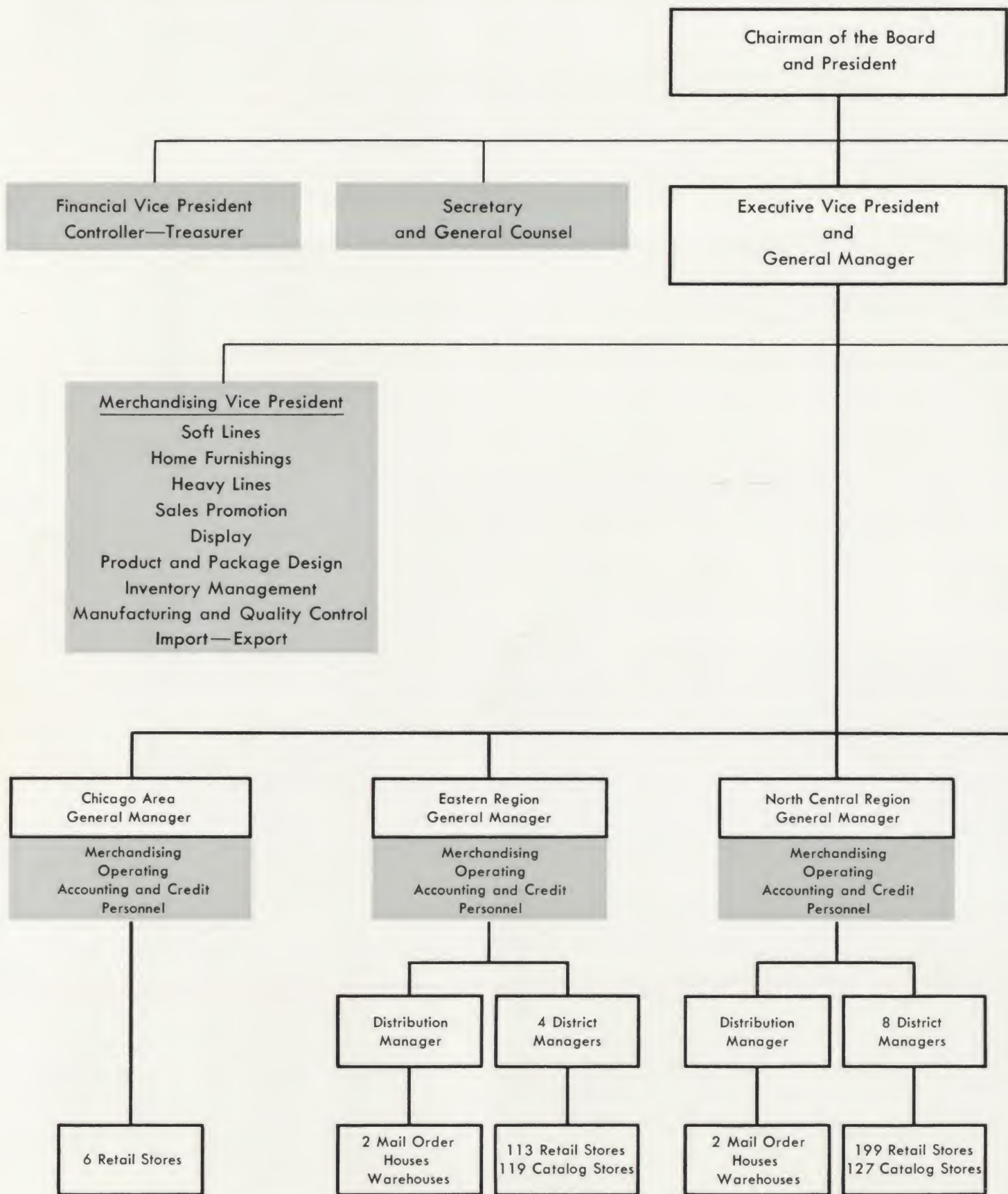


## Capital Expenditures and Depreciation Expense



## Assets





LINE      STAFF



## The Management Structure of Montgomery Ward & Co.

The most significant step taken during the past year to increase sales and improve the effectiveness of Wards' operations was a major reorganization of the Company's entire management structure.

The accompanying chart shows the new operating relationships of the line and staff segments of the Company.

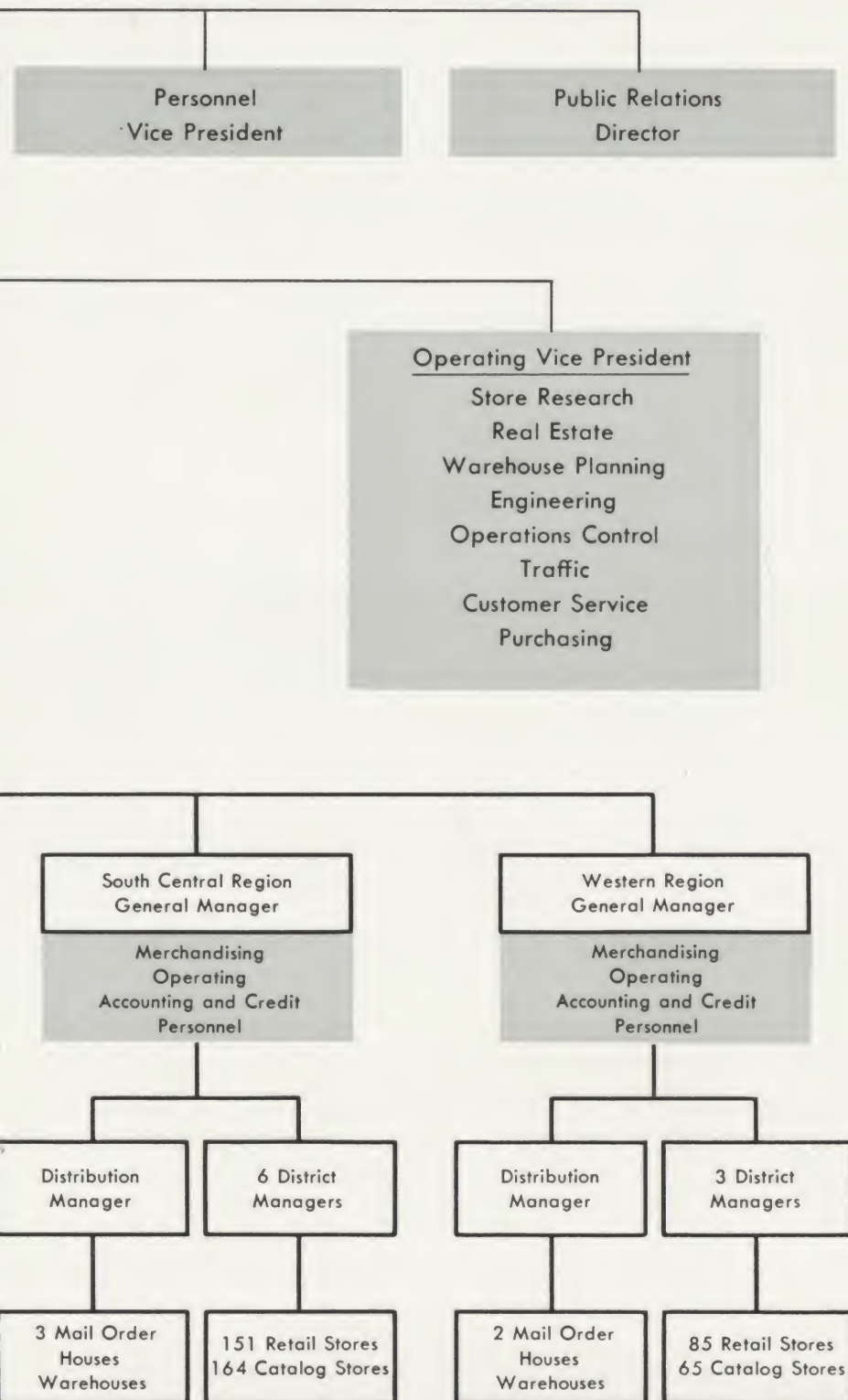
The chairman and president, in conjunction with the Board of Directors, directs the management of the business. The president receives advice and counsel from his staff in the formulation and development of the general policies and programs of the Company and in the appraisal of their effectiveness.

There is a direct line of responsibility from the chairman and president through the executive vice president to the field organization and the individual managers of stores, mail order houses and warehouses. This shows up in the center of the chart as the line organization, the backbone of the management structure. Commensurate authority has been delegated to each management level.

Essential staff functions support the line organization at each management level. For example, the executive vice president is supported by a merchandising vice president responsible for all merchandising functions and an operating vice president responsible for all operating and service functions.

The executive vice president, through four regional managers and one area manager, directs the merchandising and operating functions of the managers of Wards' 1,029 stores and 9 mail order houses. These regional and area managers, with their staffs, are responsible and accountable for the growth of Wards' sales and the achievement of profit objectives in their respective geographic areas within the framework of the Company's policies and programs.

The flexibility of management permitted by this new organization will result in more efficient operation with increased profitability, and in better and more economical service to customers.





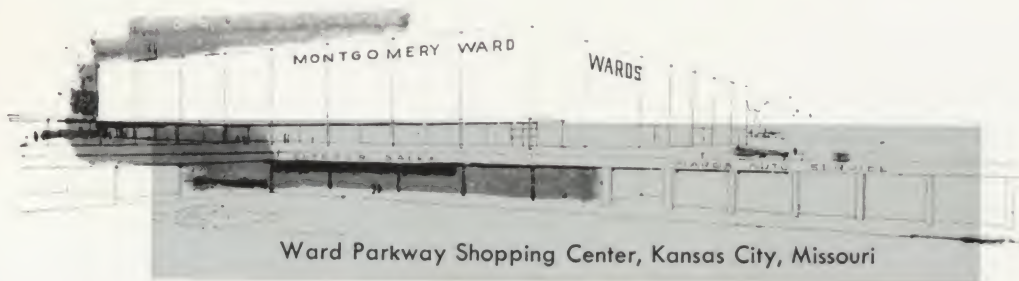
Lakeside Shopping Center, Denver, Colorado



Wonderland Shopping Center, Livonia, Michigan



Southgate Shopping Center, Detroit, Michigan



Ward Parkway Shopping Center, Kansas City, Missouri

### Wards' store modernization is country-wide

These are architects' drawings of the new Wards stores which are scheduled to open their doors during 1958 and 1959. They will be large, full-line department stores in suburban shopping centers near major metropolitan areas. Escalators, air conditioning, modern furnishings and facilities will make family shopping in these stores comfortable and convenient. Parking capacity in these centers will range from 2,000 to 4,500 automobiles.

**Lakeside Shopping Center**, at northwest city limits of Denver, Colo.; the Wards store will have 104,115 square feet

of floor area and facilities for an outdoor garden shop and the servicing of 10 automobiles. Opening date: August 1958.

**Wonderland Shopping Center**, four miles west of Detroit in Livonia, Mich.; the Wards store will have a floor area of 188,800 square feet and facilities for an outdoor garden shop and for the servicing of 12 automobiles. Opening date: October 1959.

**Southgate Shopping Center**, four and one-half miles southeast of Detroit's city limits; the Wards store will have a floor area of 133,000 square feet and facilities for an outdoor garden shop and for the servicing of 12 automobiles. Opening date: March 1959.





Northcrest Shopping Center, Fort Wayne, Indiana



Village Shopping Center, Gary, Indiana



Big Town Shopping Center, Dallas, Texas



Blue Ridge Shopping Center, Kansas City, Missouri

**Ward Parkway Shopping Center**, at southwest city limits of Kansas City, Mo.; the Wards store will have a floor area of 107,710 square feet and facilities for an outdoor garden shop and for the servicing of 12 automobiles. Opening date: October 1959.

**Northcrest Shopping Center**, two and one-half miles north of downtown Fort Wayne, Ind.; the Wards store will have a floor area of 86,210 square feet and facilities for an outdoor garden shop and for the servicing of 8 automobiles. Opening date: October 1959.

**Village Shopping Center**, at southern city limits of Gary, Ind.; the Wards store will have a floor area of 112,440

square feet and facilities for an outdoor garden shop and for the servicing of 10 automobiles. Opening date: October 1958.

**Big Town Shopping Center**, one mile east of the city limits of Dallas, Texas; the Wards store will have a floor area of 104,500 square feet and facilities for an outdoor garden shop and for the servicing of 10 automobiles. Opening date: February 1959.

**Blue Ridge Shopping Center**, three miles east of the city limits of Kansas City, Mo.; the Wards store will have a floor area of 82,180 square feet and facilities for an outdoor garden shop and for the servicing of 10 automobiles. Opening date: October 1958.





22-foot deep concrete pier footings are poured to prepare the way for the new Wards store at the Big Town Shopping Center near Dallas.



Heavy snows and sub-zero weather slowed, but didn't stop, work on the Wards Blue Ridge Shopping Center store southeast of Kansas City.



Progress is most rapid at the Wards Lakeside Shopping Center store in northwest Denver, one of three scheduled to be opened in 1958.

## New Construction

Wards' staffs of store research, real estate, planning and engineering personnel have been enlarged and the tempo of their activity has been increased to meet the Company's modernization and expansion schedules.

To plan and build a department store is a sizeable task; to plan and start building many new ones while simultaneously rehabilitating older stores was the challenge that was met by the Company during 1957 as six major rehabilitations were completed, 25 stores were air conditioned, 95 stores were redecorated and plans were drawn for new department stores in more than a dozen shopping centers located in major metropolitan areas.

Wards spent \$20,476,000 in 1957, and at the end of the fiscal year had unexpended appropriations of \$25,625,000, for the purchase and construction of new stores and warehouses, rehabilitation and expansion of existing stores, and installation of new furnishings and fixtures. Substantial additional sums of money are being invested in these projects by shopping center developers and lessors of the land and buildings which Wards will use.

During 1958, new stores are scheduled to be opened by Wards at shopping centers in Denver, Colo., Kansas City, Mo., and Gary, Ind., and in the downtown business centers of Eau Claire, Wis., and Scottsbluff, Neb.



Hoisting of a new sign into place marks completion of expansion and rehabilitation of Minot, N. D., store.



## Services for Customers

Many important steps were taken during the past year to improve service for Wards' customers.

The Company purchased 400 half-ton panel trucks and assigned them to the customer repair service departments of retail stores to help them provide more dependable and faster service.

Shipments of Wards' merchandise, mostly fashion items, by air freight established a new record during the year. The Company now is one of the largest commercial users of air freight in the United States.

Another special type of customer service offered by Wards during the year was a revolving charge plan. This combines the advantages of monthly payment privileges with the convenience of a conventional charge account. Customers may buy within their established credit limits and either pay the account in full at the end of the month or make monthly payments, including a small service charge each month on the unpaid balance. This service for credit customers facilitates their purchases of clothing, housewares and small appliances. It complements the established time-payment plan for such merchandise as refrigerators, furniture and home improvement items.

In January, Wards became the first company in the retailing industry to install the new modern type of electronic accounting and statistical control equipment known as the Tape 650 data processing system. The new unit permits more rapid tabulation and analysis of inventory and financial data from the Company's nationwide network of stores and warehouses. With this new system, Wards will be able to increase the efficiency of its control over the buying, stocking, shipping and pricing of merchandise. The unit also will be used to assist in solving industrial engineering problems.



New electronic equipment was installed at Wards' headquarters in Chicago to speed up reporting of financial and statistical information.



Fashion merchandise and special orders are dispatched daily by Wards on many airlines to customers in all parts of the United States.



Installation of display cases and fixtures nears completion at the new Wards store scheduled to open in April 1958, at Scottsbluff, Neb.



Four hundred new panel delivery trucks were purchased during the year for use by the customer service departments of Wards retail stores.



## Consolidated Balance Sheet—January 31, 1958 and 1957

### ASSETS

	1958	1957
<b>CURRENT ASSETS:</b>		
Cash.....	\$ 24,914,773	\$ 21,805,573
Marketable securities, principally obligations of federal and local governments, at cost.....	123,981,192	176,385,658
Receivables, principally time payment accounts, less reserves for doubtful accounts and unearned carrying charge income of \$16,033,448 in 1958 and \$14,513,678 in 1957.....	277,179,867	237,915,314
Merchandise inventories, at the lower of cost or market.....	227,432,485	247,094,113
Prepaid catalog costs, supplies, etc.....	19,735,741	18,573,242
Total current assets.....	<u>\$673,244,058</u>	<u>\$701,773,900</u>
 <b>PROPERTIES AND EQUIPMENT, at cost:</b>	 <b>1958</b>	 <b>1957</b>
Land.....		\$ 10,606,370
Buildings.....	\$56,304,919	\$40,802,496
Fixtures and equipment.....	35,563,844	29,042,181
Total buildings, fixtures and equipment	<u>\$91,868,763</u>	<u>\$69,844,677</u>
Less—Reserves for depreciation.....	55,164,181	43,033,265
Leasehold improvements, after amortization.....		6,267,802
Total properties and equipment.....	<u>\$ 53,578,754</u>	<u>\$ 37,792,614</u>
	<u><u>\$726,822,812</u></u>	<u><u>\$739,566,514</u></u>

### NOTES:

- (1) Under retirement pension plans established by Montgomery Ward & Co., Incorporated, and its consolidated subsidiary, there was an estimated unfunded past-service liability of approximately \$32,000,000 as of January 31, 1958. Provision was made during the year ended January 31, 1958 for interest on past-service liability and full funding of current-service liability.
- (2) Effective February 1, 1957, Montgomery Ward & Co., Incorporated, reserved 400,000 shares of its authorized but unissued common stock under a restricted stock option plan for issuance to officers and key employees of the company. The option price is the closing price of the stock on the New York Stock Exchange on the day the option is granted. Options granted are exercisable in ten equal amounts over a ten-year period on a cumulative basis commencing one year from the date the option is granted. Under this plan, on January 31, 1958, 169 officers and other employees held options for 257,250 shares at \$38<sup>3</sup>/<sub>8</sub> and \$39 per share.





## Montgomery Ward & Co., Incorporated

### LIABILITIES

	1958	1957
<b>CURRENT LIABILITIES:</b>		
Accounts payable and other liabilities .....	\$ 40,737,066	\$ 38,102,931
Accrued expenses .....	20,430,574	19,061,267
Federal taxes on income .....	24,467,104	33,635,265
Total current liabilities .....	<u>\$ 85,634,744</u>	<u>\$ 90,799,463</u>
<b>CAPITAL STOCK AND EARNINGS REINVESTED:</b>		
Class "A" stock, no par value—		
Authorized 205,000 shares noncallable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value .....	\$ 20,155,400	\$ 20,155,400
	1958	1957
Common stock, no par value—		
Authorized 20,000,000 shares; issued		
13,004,756 shares, at stated value .....	\$211,231,385	\$211,231,385
Earnings reinvested in the business .....	416,569,994	417,380,266
Total common stock and earnings reinvested in the business .....	\$627,801,379	\$628,611,651
Less—Treasury common stock		
196,200 shares, at cost .....	6,768,711	—
Total capital stock and earnings reinvested .....	<u>\$641,188,068</u>	<u>\$648,767,051</u>
	<u>\$726,822,812</u>	<u>\$739,566,514</u>

### AUDITORS' CERTIFICATE

To the Stockholders and Board of Directors, Montgomery Ward & Co., Incorporated:

We have examined the consolidated balance sheet of Montgomery Ward & Co., Incorporated (an Illinois corporation) and subsidiary as of January 31, 1958, and the related consolidated statements of earnings and earnings reinvested for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of earnings and earnings reinvested present fairly the financial position of the company and subsidiary as of January 31, 1958 and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois  
March 11, 1958

ARTHUR ANDERSEN & Co.



## Montgomery Ward & Co., Incorporated

### Consolidated Statement of Earnings

*For the years ended January 31, 1958 and 1957*

	1958	1957
<b>NET SALES</b> .....	\$1,073,799,422	\$1,045,767,458
<b>COSTS AND EXPENSES:</b>		
Cost of merchandise sold, including net buying, operating, selling and administrative expenses other than itemized herein .....	\$ 974,536,671	\$ 939,062,120
Property, social security and state taxes .....	14,543,794	13,567,127
Rents .....	12,590,432	11,884,324
Repairs and maintenance .....	4,359,234	3,630,534
Depreciation and amortization .....	4,517,949	3,588,874
Contribution to employees' retirement plan .....	2,894,585	—
Total costs and expenses .....	\$1,013,442,665	\$ 971,732,979
<b>EARNINGS BEFORE TAXES ON INCOME</b> .....	\$ 60,356,757	\$ 74,034,479
Provision for federal taxes on income .....	30,660,000	38,190,000
<b>NET EARNINGS</b> .....	\$ 29,696,757	\$ 35,844,479

### Consolidated Statement of Earnings Reinvested

*For the years ended January 31, 1958 and 1957*

	1958	1957
<b>BALANCE AT BEGINNING OF YEAR</b> .....	\$ 417,380,266	\$ 412,207,366
<b>NET EARNINGS</b> .....	29,696,757	35,844,479
Total .....	\$ 447,077,023	\$ 448,051,845
<b>CASH DIVIDENDS:</b>		
Class "A" stock—\$7.00 per share .....	\$ 1,410,878	\$ 1,410,878
Common stock—\$2.25 per share in both years .....	29,096,151	29,260,701
Total .....	\$ 30,507,029	\$ 30,671,579
<b>BALANCE AT END OF YEAR</b> .....	\$ 416,569,994	\$ 417,380,266





*TOMORROW'S CUSTOMERS*

